DOCUMENT RESUME

ED 457 813 HE 034 484

AUTHOR	Kirshstein, Rita J.; Rhodes, David
TITLE	Access and Affordability: Refocusing Financial Aid in Maryland.
INSTITUTION	American Institutes for Research in the Behavioral Sciences, Washington, DC.
SPONS AGENCY	Maryland State Higher Education Commission, Annapolis.
REPORT NO	MHEC-2001-06
PUB DATE	2001-09-00
NOTE	45p.
PUB TYPE	Reports - Evaluative (142)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	*Access to Education; *Delivery Systems; Higher Education; *Paying for College; *State Programs; *Student Financial Aid; Tuition
IDENTIFIERS	*Maryland

ABSTRACT

The Maryland Higher Education Commission funded the American Institutes for Research (AIR) to review the state's financial aid programs and to make recommendations for improvement. To determine how to improve the content, delivery, and administration of financial aid in Maryland, AIR conducted a number of activities, including a literature review, conversations with experts from other states, focus groups and informal surveys of financial aid directors at Maryland colleges and universities, an informal survey of high school guidance counselors, and interviews with state legislators and educational administrators. Drawing on the information from these sources and document reviews, AIR identified seven areas of concern regarding the delivery of financial aid in Maryland: (1) the proliferation of financial aid programs; (2) adequacy and timing of funding; (3) administration of financial aid; (4) outreach to younger and nontraditional students; (5) graduate and professional education; (6) establishing a first-professional and graduate scholarship program for high-achieving students at historically black colleges and universities; and (7) outdated image. AIR developed 13 recommendations to address these identified areas of concern; these are included in this report. (Contains 6 exhibits and 49 endnotes.) (SLD)

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ACCESS AND AFFORDABILITY: REFOCUSING FINANCIAL AID IN MARYLAND

MARYLAND HIGHER EDUCATION COMMISSION
16 FRANCIS STREET
ANNAPOLIS, MARYLAND 21401-1781

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EXECUTIVE SUMMARY

The importance of higher education to individuals and society continues to grow. Given the relatively high tuition levels in the state's public institutions, Maryland's 24 different state scholarship, grant, and loan repayment programs must perform the critical function of ensuring that all Maryland residents have access to the opportunities that college provides.[1] For the 2000–2001 academic year, the average undergraduate tuition and fees charged by Maryland's public four-year institutions totaled $4,784 for residents.[2] Only six states had higher tuitions for state residents that year.

Maryland has made significant strides toward ensuring access, but high tuition levels remain a challenge. Funding for financial aid in Maryland more than doubled between 1989 and 1999.[3] The percentage of undergraduate students receiving financial aid has also increased, from 38 percent in 1989 to 58 percent in 1999.[4] Still, Maryland ranked only 24th among the states in all estimated grant dollars to undergraduates per full-time enrollment in 1999–2000 and 18th in financial aid based on need.[5]

The Maryland Higher Education Commission funded the American Institutes for Research (AIR) to review the state's financial aid programs and to make recommendations for improvement. To determine how best to improve the content, delivery, and administration of financial aid in Maryland, AIR conducted a number of activities in a 14-week period:

- A review of the literature, including studies conducted in other states
- Conversations with selected financial aid directors in other states
- An informal survey of and a focus group with financial aid directors in Maryland colleges and universities
- An informal survey of high school guidance counselors
- Interviews with state legislators
- Interviews with commissioners on the Maryland Higher Education Commission
- An analysis of financial aid data supplied by the Maryland Higher Education Commission
- An extensive review of the current financial aid programs in Maryland
- A review of financial aid programs in other states, including discussions with officials in other states

From these activities, AIR identified seven concerns regarding the effective delivery of state financial aid in Maryland.

1. **The Proliferation of Financial Aid Programs in Maryland:** Maryland's commitment to making higher education accessible to all its residents is evident in the wide array of

[1] The actual number of programs varies from year to year because there are a few small programs that may not give out awards in any given academic year.

[2] American Association of State colleges and Universities (2001). *Student Charges & Financial Aid 2000–2001*. Washington, DC: p.7.

[3] Maryland Higher Education Commission. *Trend Book: January 2001* (2001). Annapolis, MD.

[4] Maryland Higher Education Commission. *Trend Book: January 2001* (2001). Annapolis, MD.

[5] The National Association of State Student Grant and Aid Programs (2001). *31st Annual Report*. [http://www.nassgap.org/researchsurveys/31streport/table2.html]

financial aid programs that have proliferated over time. However, the collective consequence of these programs tends to be confusion on the part of prospective recipients who must navigate their way through 24 different descriptions of how they might receive financial assistance. Further, the administration of so many programs siphons resources from the State Scholarship Administration that could be better spent elsewhere.

2. **Adequacy and Timing of Funding:** Maryland's public four-year tuition for in-state students ranks 7th from the top among the 50 states and the District of Columbia. The state ranks 18th with regard to the amount of undergraduate state financial aid that is based on financial need. Further, state awards are often not made until after students must notify colleges of their decisions, thus limiting the impact of state financial aid on students' enrollment decisions.

3. **Administration of Financial Aid:** The State Scholarship Administration oversees the delivery of 24 different state aid programs. With the exception of awarding part-time grants and some Legislative Scholarships, the State Scholarship Administration reviews applications and makes awards for the remaining programs. Inadequate technology and potentially inefficient processes make administering state aid in Maryland difficult.

4. **Outreach to Younger and Nontraditional Students:** Maryland recognizes the importance of reaching out to students before their senior year in high school. Numerous GEAR UP programs and other outreach activities attest to this awareness. However, efforts in this arena can be improved.

5. **Graduate and Professional Education:** Owing in part to the lack of a federal need-based grant program and the higher federal loan limits for graduate students, students pursuing advanced degrees commonly incur substantial educational debt. The prospect of borrowing large sums of money disproportionately discourages low-income and minority individuals from pursuing graduate and professional educational opportunities. Further, students who earn professional degrees while accumulating large debts may be reluctant to pursue a career in public service, given the pay differential between the public and private sectors.

6. **Establishing a First-Professional and Graduate Scholarship Program for High-Achieving Students at HBCUs:** Maryland's Report and The Partnership Agreement between the State of Maryland and the U.S. Department of Education, Office for Civil Rights recommended a number of steps to strengthen recruitment and admissions for minority students in the state. This study was asked to examine a specific recommendation establishing a scholarship program for HBCU graduates who attend graduate and professional schools in Maryland.

7. **Outdated Image:** The recommendations in this report would require the State Scholarship Administration to change how it delivers and markets financial aid. Its current name reflects an outdated image.

AIR has developed 13 recommendations that address each of our identified areas of concern.

In response to Concern 1: The Proliferation of Financial Aid Programs in Maryland

Recommendation 1: *Consolidate current state scholarship programs—at least as far as establishing consistent requirements, deadlines, and administration—into five categories: need-based grants; merit-based scholarships; assistance contingent on service commitments; assistance for unique populations; and legislative scholarships.*

Recommendation 2: *Following on Recommendation 1, administer programs that address workforce shortage areas as a single program and review them on a biennial basis to ensure that Maryland has identified the occupations where shortfalls are anticipated.*

Recommendation 3: *Refrain from creating any new centrally administered state financial assistance program.*

Recommendation 4: *Establish goals for all existing Maryland programs and annually monitor the achievement of those goals.*

In response to Concern 2: Adequacy and Timing of Funding

Recommendation 5: *Increase the level of funding for state scholarship programs, focusing increases on need-based programs.*

Recommendation 6: *Guarantee funding levels for all programs equal to 80 percent of the previous year's funding.*

In response to Concern 3: Administration of Financial Aid

Recommendation 7: *Modernize the information technology supporting the State Scholarship Administration.*

Recommendation 8: *Seriously consider decentralizing the administration of the need-based aid programs.*

In response to Concern 4: Outreach to Younger and Nontraditional Students

Recommendation 9: *Modify the existing Guaranteed Access scholarship program to include an outreach effort that allows students to pre-qualify for need-based financial aid by applying in either the 9th or 10th grade. To maximize the effectiveness of this early intervention, the program should also provide committed mentors to work with students on a one-on-one basis.*

Recommendation 10: *Expand the public education and outreach efforts of the State Scholarship Administration.*

In response to Concern 5: Graduate and Professional Education

Recommendation 11: *Increase the level of funding available to graduate and professional students by expanding a number of existing programs to better serve the needs of this population.*

In response to Concern 6: Establishing a First Professional and Graduate Scholarship Program for High-Achieving Students at HBCUs

> **Recommendation 12:** *As suggested in the partnership agreement between Maryland and the U.S. Department of Education's Office for Civil Rights, make funds available for HBCU graduates to pursue graduate and professional degrees in Maryland universities and develop a program that ensures the success of students who receive these funds. Making funds available does not mean creating a new financial aid program.*

In response to Concern 7: Outdated Image

> **Recommendation 13:** *Change the name of the State Scholarship Administration to reflect the many ways Maryland helps its citizens pay for higher education.*

The changes proposed, while far reaching, are attainable. More important, they incorporate and build on Maryland's basic commitment to making higher education accessible and affordable for all its residents. The recommendations, if implemented, will help Maryland do more of what it is currently doing—and do it better.

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INTRODUCTION

Maryland's commitment to higher education is evident in a variety of ways. The state boasts 13 public four-year institutions, 16 community colleges, 2 public research centers, 24 independent four-year institutions, and 128 private career schools. Maryland ranked ninth nationally in the percentage increase in state tax revenues for higher education operating expenses between fiscal 1999 and 2000[1] and supports approximately 24 different financial aid programs to assist students attending college in Maryland. Further, a recent comparison of states indicates that Maryland's rate of participation in higher education is one of the highest in the nation.[2]

This same report, however, gave Maryland a grade of *D* on affordability. The tuition charged by Maryland's public colleges and universities is one of the highest in the nation (7th) yet the amount of state grant aid to full-time undergraduates ranks the state much lower (18th). This "high tuition/lower aid" approach to making higher education a possibility for its citizens has raised a number of concerns regarding the affordability and accessibility of higher education in Maryland. These concerns, and others, prompted the state to fund the American Institutes for Research (AIR) to conduct a study examining the content and delivery of its state financial aid.

This report presents the results of this study. Specifically, the request for proposal issued by the Maryland Higher Education Commission identified 10 areas for examination:

- Identifying students currently not well served by state financial aid
- Establishing equity and predictability in state financial aid
- Addressing needs of part-time students
- Examining the relationship between cost of tuition and college-going rates of disadvantaged students
- Examining undergraduate vs. graduate/professional financial aid
- Examining existing outreach activities
- Examining barriers to access caused by current processes
- Examining current levels of state financial aid
- Reviewing "best practices" in other states
- Examining the recommendation by the U.S. Department of Education, Office for Civil Rights to explore establishing a first-professional and graduate scholarship program for high-achieving students at HBCUs

To understand the context in which Maryland's financial aid programs operate, this report begins with a brief overview of issues regarding access to and affordability of higher education in the nation as a whole and a closer look at these issues as they pertain to Maryland. This context and the activities conducted to examine the specific mandates of this study helped identify seven areas of concern around which this report is organized. Our recommendations are embedded in these areas of concern and reflect an effort both to strengthen Maryland's commitment to higher education and to do so within the boundaries of Maryland's political, social, and historical climate.

Higher Education: A National Overview

The importance of higher education to individuals and society continues to grow. Simply stated, individuals with a college degree earn more than individuals with lesser amounts of education, and they are also less likely to be unemployed. In 1999, the personal earnings of individuals with a

bachelor's degree averaged $54,438, more than twice the amount ($26,527) for those with only a high school diploma.[3] Lifetime earning differences are even more dramatic; the gap in earnings between a person with a high school diploma and one with a bachelor's degree can be expected to exceed $1,000,000. Further, the 1999 unemployment rate for adults 25 years old and over who had not completed high school was 6.7 percent compared with 3.5 percent for those with four years of high school and 1.8 percent for those with a bachelor's degree.[4]

Completing higher education has social as well as personal economic consequences. A recent report on college access noted that close to $250 billion would be added to the gross domestic product and $80 billion to taxes if the 32 percentage point gap in the college-going rates of the highest and lowest income groups could be significantly narrowed.[5]

In addition, today's information-intensive workplace needs a highly trained and flexible workforce. The role that former U.S. labor secretary Robert Reich described as "information synthesizer" has become both critical to our economy and personally lucrative. During the year 2000, the United States issued 100,000 H-1B visas to highly educated foreign nationals to help satisfy the demand for skilled workers.[6]

Increases in tuition continue to be a major policy concern. In a 1998 public opinion poll conducted by the American Council on Education (ACE), parents ranked "affording a college education for their children" second only to their child's "using illegal drugs" in a list of concerns.[7] A more recent ACE survey indicates that Americans are slightly less worried than they were in 1998, but the percentage is still quite high; 86 percent responded that they worried "a little" or "a lot" about the cost of college. This continuing concern has been fueled by annual increases in the price of college. Since 1980, the price of college—what students and their families pay—has risen between two and three times the rate of inflation.[8] Tuitions at both public and private institutions have escalated, 51 percent in inflation-adjusted dollars for public four-year colleges and universities and 35 percent for private four-year schools, just in the 10 years between 1990–1991 and 2000–2001.[9]

The 1997 Higher Education Cost Commission concluded the following about ongoing tuition increases:

- College tuition is increasing substantially faster than prices in general. In comparison to other professional services such as medical care, tuition price increases seem more in line.
- Tuition increases need to be understood as at least partially the result of the decline in the general societal subsidization of higher education. Not only are colleges and universities spending more to provide higher education, but also students and their families are being asked to pay a larger proportion of these costs.
- Students and their families are becoming increasingly dependent on financial aid in non-grant form (primarily loans) to meet increases in college prices.
- The economic return to a college education has been increasing for roughly the past 20 years. The increased value to the individual student of a college education explains at least part of the willingness of students and families to pay more, even if it means an increase in borrowing, for higher education.[10]

The last bullet concerning the increase in value of investing in "human capital" may be one reason middle- and upper-income families are willing to pay more to send their children to college. It is important to point out, however, that increases in income experienced during the 1990s that have allowed middle- and upper-class families to afford tuition increases have not been shared by families in the bottom of the U.S. income distribution. For the lowest income students, the proportion of income constituted by the average cost of attendance at a public four-year institution increased from 42 percent in 1972 to 62 percent by 1999–2000.[11]

Financial aid helps students pay for college. Given the central role that higher education now plays in determining labor market outcomes and the material well-being of U.S. citizens, social programs attempting to help students manage the financial barrier to college are more crucial than ever. Traditionally three types of financial aid have been available: grant or scholarship aid, which does not have to be repaid; loans, which must be repaid with interest; and work study, which must be earned. Financial aid packages often consist of multiple forms of aid that together allow a student to manage the price of higher education. In recent years, various federal and state tax breaks have been established to assist middle- and upper-middle-income students and parents save for, as well as pay for, college.

Many states have responded to recent increases in the price of college by establishing new or expanding existing state scholarships, college savings-trusts, and prepaid tuition programs. The increases in state scholarship programs can also be seen as a response to the loss in purchasing power of maximum federal Pell Grants, which fell as a percentage of cost of attendance—from 84 percent [12] Nationwide, total state financial aid increased 45 percent between the academic years of 1994–1995 and 1997–1998.[13] In Maryland, the increase in state scholarships mirrors the nation as whole, rising 44 percent during the same time frame.[14]

Many of the newer and more publicized state scholarships are merit based, rewarding high academic achievement during high school, linking continued support to maintaining good grades in college, or both.[15] For the 1999–2000 academic year, 22 percent of all state aid was based on merit, whereas 78 percent was based on need.[16]

In addition to state scholarship funds, most states have established assisted savings or prepaid tuition programs. At the beginning of 1999, 20 states offered prepaid tuition plans that provide protection from future tuition increases. Families in these states can pay for college ahead of time, well in advance of when children will attend. In return, the college locks in the current tuition that it charges. Most of the states that do not have prepaid programs do have established savings-trust programs that enable people to invest (often with preferential tax treatment) in state-operated investment funds.[17]

Higher Education in Maryland

Maryland provides many options for individuals who wish to pursue higher education. With 29 public two- and four-year colleges, 2 public research centers, 24 private four-year institutions, and more than 120 private career schools, Maryland offers its citizens a range of education opportunities beyond high school. (See Exhibit 1 for a list of public and private two- and four-year institutions in the state.) During the 1998–1999 academic year, 116,270 students enrolled in one of Maryland's public four-year campuses, another 47, 417 enrolled in the private independent institutions, and 103,823 students took courses at one of the state's community colleges. Between

1989–1990 and 1998–1999, the largest enrollment increases occurred among the private colleges and universities; enrollments in these institutions increased 25 percent, whereas enrollments in public four-year colleges increased 6 percent and those in community colleges declined 3 percent.[18]

EXHIBIT 1: Maryland Higher Education Institutions

University System of Maryland	4-Year Private Colleges & Universities	2-Year Public Colleges	2-Year Private Colleges
Bowie State University	Baltimore Hebrew University	Allegany College of Maryland	Hagerstown Business College
Coppin State College	Baltimore International College	Anne Arundel Community College	Maryland College of Art and Design
Frostburg State University	Binah Institute of Advanced Judaic Studies for Women	Baltimore City Community College	Seafarers Harry Lundeberg School of Seamanship
Salisbury University	Capitol College	Carroll Community College	
Towson University	College of Nortre Dame of Maryland	The Community College of Baltimore County	
University of Baltimore	Columbia Union College	Cecil Community College	
The University of Maryland, Baltimore	Goucher College	College of Southern Maryland	
The University of Maryland Baltimore County	Hood College	Chesapeake College	
The University of Maryland, College Park	Johns Hopkins University	Frederick Community College	
The University of Maryland Eastern Shore	Loyola College of Maryland	Garrett Community College	
The University of Maryland University College	Maryland Institute College of Art	Hagerstown Community College	
4-Year Public Institutions	Mount St. Mary's College	Harford Community College	
Morgan State University	National Labor College	Howard Community College	
St. Mary's College of Maryland	Ner Israel Rabbinical College	Montgomery College	
	Peabody Institute of the Johns Hopkins University	Prince George's Community College	
	St. John's College	Wor-Wic Community College	
	St. Mary's Seminary & University		
	Sojourner and Douglass College		
	Tai Sophia Institute		
	Villa Julie College		
	Washington Bible College/ Capitol Bible Seminary		
	Washington College		
	Western Maryland College		
	Yeshiva College of the Nation's Capital		

Tuition in Maryland is higher than that in most states. For the 2000–2001 academic year, the average undergraduate tuition and fees charged by Maryland's public four-year institutions totaled $4,784 for residents.[19] Only six states had higher tuitions for state residents that year. As in

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other states, Maryland's tuition and fees have increased at rates faster than inflation. Between 1991–1992 and 1999–2000, tuition for Maryland's public four-year campuses increased 88 percent for state residents. Inflation during this time period increased 22 percent.[20] In-state tuition at other public colleges and universities increased 57 percent during these same years.[21]

Another indicator of the impact of paying for college on families is the proportion of household income represented by tuition. Nationally, tuition and fees at public four-year colleges and universities accounted for 7.7 percent of median household income. In Maryland, tuition and fees at public four-year institutions accounted for 8.1 percent of median household income.

Despite what is often considered the high price of attending college in the United States, institutions of higher education typically do not charge what it costs to provide an education to students. This is the case for both public and private colleges, although the subsidies that public institutions receive from state appropriations reduce tuition at these schools. State appropriations to higher education, which declined in the early 1990s but began to increase again after 1994, have not been increasing at the same rate as tuition. In Maryland, state appropriations accounted for 44 percent of college budgets in 1992 and 37 percent in 1997. Tuition, in contrast, accounted for 26 percent of college budgets in 1992 and 30 percent in 1997.[22]

Maryland currently offers an array of financial aid to residents. The state of Maryland funds about 24 different state scholarship, grant, and loan repayment programs.* These programs vary from $20,000 for Physical and Occupational Therapist Grants to $34.8 million in appropriations for the Educational Assistance Grant in fiscal year 2002.[23] Further, state funding for financial aid in Maryland more than tripled between 1991 and 2001 from $22.9 million to $70.2 million.[24] The percentage of undergraduate students receiving financial aid has also increased, from 38 percent in 1989 to 58 percent in 1999.[25] Exhibit 2 reproduces a summary chart of financial aid programs published in the *Student Guide to Higher Education and Financial Aid in Maryland: 2001–2002 Academic Year*.

Despite the number of different financial aid programs, the increase in spending on financial aid, and the growth in the percentage of students receiving some type of financial assistance, Maryland ranked 24th among the states in all estimated grant dollars to undergraduates per full-time enrollment in 1999–2000 and 18th in financial aid based on need.[26] This difference in ranking between tuition charges and support for financial aid, coupled with the *D* grade that Maryland received for affordability in *Measuring Up 2000*, raises a number of concerns regarding the accessibility of higher education to Maryland's residents. These concerns, and recommendations to resolve them, are discussed in the next section of this report.

*The actual number of programs varies from year to year because there are a few small programs that may not give out awards in any given academic year.

EXHIBIT 2: Maryland State Scholarship Programs

	Program	Under-graduate	Graduate	Vocational Private Career School	Full-Time	Part-Time	Need-Based Grant/ Scholar-ship	Application Method	Application Deadline	Annual Max. Award	Service Require-ment	Additional Information
General	Guaranteed Access Grant	●			●		●	FAFSA and SSA	FAFSA and SSA March 1 strongly encouraged	$9,000		May only apply as a high school senior; income limit; minimum cumulative 2.5 GPA required; complete college prep or tech prep program; maintain satisfactory academic progress in college.
	Educational Assistance Grant	●			●		●	FAFSA	March 1	$3,000		Maintain satisfactory academic progress in college. Demonstrate financial need.
	Senatorial	●	●	●	●	●	●	FAFSA	March 1	$2,000		SAT/ACT required for some applicants. Senator selects recipients.
	Delegate	●	●	●	●	●		Contact Delegates	Contact Delegates	Varies		Delegate selects recipients.
	Tolbert Grant			●	●		●	FAFSA	Rolling	$1,500		Contact school Financial Aid Office.
	Distinguished Scholar	●			●			Contact High School Guidance Counselor	2nd Semester of 11th grade	$3,000		PSAT/SAT/ACT recommended; awarded to National Merit & Achievement finalists, high academic achievers, and talented students in the fine and performing arts.
	Distinguished Scholar Teacher Education	●			●			SSA	July 1	$3,000	●	Students must have the Distinguished Scholar Award.
	Part-Time Grant	●				●	●	FAFSA	Contact College Financial Aid Office	$1,000		College or university selects recipients.
Career/Occupational	Nursing Scholarship	●	●		●	●		SSA and FAFSA	FAFSA-March 1 SSA-June 30	$2,400	●	Minimum 3.0 GPA required; additional $2,400 living expenses grant based on need.
	Physical and Occupational Therapist and Assistants	●	●		●			SSA	July 1	$2,000	●	Must be enrolled in a PT or OT professional program. Recipients must agree to work in a facility that provides service to handicapped children.
	Professional Scholarship	●	●		●		●	FAFSA and SSA	FAFSA-March 1 SSA-March 1	$1,000		Must enroll in a program for dentistry, law, medicine, social work or graduate/undergraduate nursing or pharmacy.
	Sharon Christa McAuliffe Teacher	●	●		●	●		SSA	December 31	$12,000	●	Minimum 3.0 GPA required and 60 credits of undergraduate coursework. Graduate students and current teachers may also apply.
	Child Care Provider	●			●	●		SSA	June 30	$2,000	●	Only early childhood education and child development majors are eligible.
	Developmental Disabilities	●	●		●	●		SSA	July 1	$3,000	●	Recipients must agree to work with people who have mental health disabilities.
	Firefighters Reimbursement	●	●		●	●		SSA	July 1	$3,480	●	Reimbursement is made one year after completion of courses in fire service technology or EMT degree program.
Other	Optometry Tuition Reduction	●						MHEC	July 7	$8,275	●	Must be admitted and enrolled at the Pennsylvania College of Optometry.
	Loan Assistance Repayment Program						●	SSA	September 30	$7,500	●	Provides assistance for repayment of loan debt to individuals working full-time in non-profit organizations and state or local government.
	Loan Assistance Repayment Program: Dentists							SSA	Rolling	$25,000	●	Provides assistance for repayment of loan debt to dentists working with under-served populations.
	Loan Assistance Repayment Program: Physicians/Medical Residents							SSA	Rolling	$30,000	●	Provides assistance for repayment of loan debt to physicians and medical residents specializing in primary care in under-served areas.
	Edward T. Conroy Memorial Award	●	●	●	●	●		SSA	July 15	$3,800		Provides assistance to 100% disabled public safety employees; POW's; sons & daughters of POW's; sons & daughters of deceased or 100% disabled military; sons & daughters & spouses of deceased public safety employees.
Hope	Hope	●			●			FAFSA and SSA	March 1	$3,000	●	High school seniors only may apply. Eligible majors listed at www.mhec.state.md.us. Recipients must agree to work in Maryland for up to 4 years. Annual income limit $80,000.
	Maryland Teacher	●	●		●			SSA	March 1	$5,000	●	Recipients must agree to work as a classroom teacher in a Maryland public school.
	Science & Technology	●			●			SSA	March 1	$3,000	●	High school seniors only may apply. Eligible majors listed at www.mhec.state.md.us. Recipients must agree to work in a Science & Tech field in Maryland for up to 4 years.
	Hope for Community College Transfer Students	●			●			FAFSA and SSA	March 1	$3,000	●	Transfer with minimum 3.0 and 60 credits from a Maryland 2-year college to a Maryland 4-year college. Must agree to work in Maryland for up to 3 years.

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CONCERNS AND SOLUTIONS: REFOCUSING FINANCIAL AID IN MARYLAND

To determine how best to improve the content, delivery, and administration of financial aid in Maryland, AIR conducted a number of activities:

- A review of the literature, including studies conducted in other states
- Conversations with selected financial aid directors in other states
- An informal survey of and a focus group with financial aid directors in Maryland colleges and universities
- An informal survey of high school guidance counselors
- Interviews with state legislators
- Interviews with commissioners on the Maryland Higher Education Commission
- An analysis of financial aid data supplied by the Maryland Higher Education Commission
- An extensive review of the current financial aid programs in Maryland
- A review of financial aid programs in other states, including discussions with officials in other states

This work helped identify a number of concerns regarding Maryland's financial aid programs as well as recommendations to improve these programs.

Concern 1: The Proliferation of Financial Aid Programs in Maryland

Maryland's commitment to making higher education accessible to all its residents is evident in the wide array of financial aid programs that have proliferated over time. However, the collective consequence of these programs tends to be confusion on the part of prospective recipients who must navigate their way through 24 different descriptions of how they might receive financial assistance. Further, the administration of so many programs siphons resources from the State Scholarship Administration that could be better spent elsewhere.

Currently, the state of Maryland provides financial assistance to its residents through 24 different, but not necessarily distinct, programs.* Exhibit 2, reproduced from the *Student Guide to Higher Education and Financial Aid in Maryland: 2001–2002*, provides a succinct, albeit confusing, overview of the current collection of programs. As reported by a number of financial aid directors, prospective college students find it difficult to determine whether they might qualify for state financial assistance and if they do qualify, what program or combination of programs is most appropriate. In addition, financial aid administrators indicate that students often confuse the qualifications, requirements, and deadlines of different programs. As organized in the *Student Guide*, the "General, Career/Occupational, Other, and Hope" categories reflect the original legislative intent of the programs rather than the particular student population being targeted. The marketing and administration of each of these programs also reflect the disjoint purposes behind each program more than an integrated whole. Although this emphasis is somewhat understandable, conversations with

*The number of programs varies slightly from year to year due to the fact that not all types of scholarships are awarded each year.

financial aid directors and high school guidance counselors indicate that focusing on the students to be served instead of on the reason the financial aid program was implemented would help clarify who qualifies for these programs.

The comments of financial aid directors who work directly with the students served by these programs illustrate these points:

> *It is difficult to convey information to students because there are so many programs. Yes it is good to have so much funding available, but it is split into too many packages. Families are a bit overwhelmed and do not know which ones to apply for.*
>
> *It is difficult to administer a program that contains myriad scholarships and grants, each having its own specific rules and regulations, eligibility criteria, and follow-up.*
>
> *We have a hard time explaining all the variations on a theme even to the most sophisticated applicant—and with a multiplicity of application processes, it complicates the problem. We can identify so many eligible students who never make it through the state process successfully.*

A brief description of the current 24 programs organized by the student populations they target provides background to the recommendations that will follow about simplifying the delivery of financial aid in Maryland. Aid categories based on these student populations are these:

- Need-based grants
- Merit-based scholarships
- Financial aid in exchange for post-graduation service commitments
- Assistance for unique populations of students who have been identified as being especially needy or deserving of targeted state assistance
- Legislative scholarships aimed at students who may not be well served by any of the existing state scholarship programs

Need-Based Grants

In the 2000–2001 academic year, Maryland administered four programs that determined eligibility primarily on the basis of financial need:

- Educational Assistance Grant
- Guaranteed Access Grant
- Part-Time Grant
- Professional School Scholarship

Maryland's primary need-based aid program, the Educational Assistance Grant, requires only the completion of a Free Application for Federal Student Aid (FAFSA), the same form required to apply for federal financial aid programs. The FAFSA must be submitted by March 1. The Guaranteed Access Grant program, which provides substantially more assistance to students from the bottom of Maryland's family income distribution, requires applicants to submit an additional application. This extra form includes sections that the high school guidance counselor is encouraged to complete by March 1. Further, Guaranteed Access recipients must also confirm that they have

completed a college preparatory high school program with at least a 2.5 grade point average. Both of these need-based scholarships require full-time attendance, are available only to undergraduate students, and are administered by the State Scholarship Administration.

Students attending part time can apply for assistance to a very different type of financial aid program. The state of Maryland funds a separate need-based part-time grant program, but this program is administered by participating Maryland colleges and universities. Funding is based on a state-established formula that estimates the need for this type of assistance by combining the prevalence of part-time students and the number of Pell Grant recipients at each institution. Institutions are required to report to the State Scholarship Administration on the delivery of these state funds. Financial aid directors were uniformly positive about this program. They particularly appreciated the freedom to readily package this type of assistance in ways that meet the needs of their part-time student body and the ability to do so without meeting early deadlines.

The state of Maryland administers a need-based Professional School Scholarship for students pursuing selected professional degrees: medicine, dentistry, law, pharmacy, and nursing. This award is $1,000 a year and can be used only at the three Maryland institutions offering training in these fields: the University of Maryland at Baltimore (medicine, dentistry, law, or pharmacy), University of Baltimore School of Law, and Johns Hopkins School of Medicine.

Merit-Based Scholarships

In addition to providing need-based assistance, Maryland administers one merit scholarship that offers outright gift aid, the Distinguished Scholars program. Maryland recognizes exceptionally talented high school students and helps Maryland's colleges and universities recruit these highly able young men and women by offering a $3,000-a-year Distinguished Scholarship award. National Merit Scholarship and National Achievement Scholarship finalists are offered the scholarship if they attend a Maryland college. Maryland high schools can nominate five juniors to audition in visual art, instrumental music, vocal music, dance, or drama. Auditions are held in June before a student's senior year of high school to determine artistic awards. Individuals with a cumulative grade point average of at least 3.7 can also apply. Academic awards are based on a ranking of applicants that combines their grades and standardized test (i.e., SAT1, PSAT, or ACT) results.

Financial Aid in Exchange for Service Commitments

Maryland also has a large number of programs that either provide money for college or pay off existing educational loans in exchange for service commitments, often in identified workforce shortage areas.

- Hope Scholarship
- Hope Scholarship for Community College Transfers
- Science and Technology
- Maryland Teacher Education Program
- Sharon Christa McAuliffe Teacher
- Distinguished Scholar Teacher Education
- Child Care Provider Scholarship
- Developmental Disabilities and Mental Health Workforce
- Nursing Scholarship and Living Expenses Grant

- ❖ Physical and Occupational Therapists and Assistants Grant
- ❖ Optometry Tuition Reduction
- ❖ Firefighters Reimbursement
- ❖ Loan Assistance Repayment Program, Government and Non-Profit
- ❖ Loan Assistance Repayment Program, Dentists
- ❖ Loan Assistance Repayment Program, Physicians

Fifteen of the 24 programs in Exhibit 2 have service commitment requirements. Most of these programs attempt to address workforce shortages by providing financial assistance in exchange for work commitments in Maryland upon graduation. The last three loan assistant repayment programs (LARP) offer financial assistance to college graduates with existing educational debt, instead of providing money to pursue additional education. The service commitments of these programs require recipients to work in the state of Maryland in their targeted occupation and, at times, to serve specific communities. Recipients who fail to fulfill their service obligations must repay the money they borrowed as they would any federal educational loan. The degree to which these service commitments impinge on future options varies greatly from program to program. The new Hope Scholarship program insists simply on full-time employment within Maryland, whereas the Economic Development student assistance grants are far more proscriptive in terms of the types of employment that recipients can use to fulfill the service obligation.

The 15 service commitment programs target both small and large sub-populations within Maryland. The general Hope targets all high school seniors with a 3.0 grade point average and a family income under $95,000. The Firefighters Reimbursement Program targets firefighters, ambulance drivers, and rescue squad members who currently serve Maryland's communities. The three programs that recruit teachers target different populations. The Maryland Teacher Education Program targets high school seniors and current college students. Current teachers and college students with at least 60 hours of college credit are the focus of the Sharon Christa McAuliffe Teacher Program, and the Distinguished Scholarship winners can benefit from the Distinguished Scholar Teacher Education Program.

Although these 15 programs recruit for a variety of occupations and recruit both prospective college students and recent college graduates with educational debt, the common thread of a service commitment ties them together in the minds of both students and financial aid administrators. To participate, students must be prepared to commit a year of employment in Maryland for each year of financial support. This requirement also commits the state not only to distributing the aid during the year or years it is received but also to tracking service obligations or repayments once the individual has left school. Although this study was not able to gather the data to estimate the actual cost of this tracking, the costs can be assumed to be significant.

Assistance for Unique Populations

The fourth type of aid program administered by Maryland also targets unique sub-populations, but these programs do not involve a service commitment. Rather, these programs serve unique populations whom the state has identified as being especially needy or deserving of targeted state assistance:

- ❖ Tolbert Grant
- ❖ Edward T. Conroy Scholarship Program

- Foster Care Tuition Waiver

The Tolbert Grant Program recently had its funding increased to $300,000. These grants, which are available to full-time students attending selected private career schools in Maryland, are competitive and awarded on the basis of financial need. Not all students who apply and who are eligible are given an award because of program funding limitations.

The Edward T. Conroy Scholarship Program provides funds to the children of U.S. armed forces personnel who are deceased, missing in action, or prisoners of war. In addition, the children and the unmarried surviving spouse of deceased public safety officers and disabled public safety personnel who attend a Maryland postsecondary institution can also apply for a Conroy Scholarship.

The Foster Care Tuition Waiver is not listed as one of the 24 programs in Exhibit 2, but it is described in the *Student Guide to Higher Education and Financial Aid in Maryland*. This program exempts individuals who resided in a foster care home on or after their 18th birthday, or who resided in a foster home on their 14th birthday and were subsequently adopted, from paying tuition at Maryland's public four-year and two-year higher education institutions. To use this waiver, individuals must begin college by the age of 21 and apply for federal financial aid by submitting a FAFSA.

Legislative Scholarships

Finally, Maryland empowers individual members of the House of Delegates and the State Senate to award financial assistance through two programs:

- Delegate Scholarships
- Senatorial Scholarships

Maryland is unique among the 50 states in having such programs. Students apply directly to their state senator or the delegates in their legislative district. Individual senators and delegates create procedures for determining eligibility. The two programs do have some generic differences. All Senatorial scholarship recipients are required to submit a FAFSA and to demonstrate financial need. Senatorial scholarships are automatically renewed for up to three years. Delegates may require recipients of Delegate scholarships to submit a FAFSA and to demonstrate need, but no programwide requirement exists. Also, recipients of Delegate scholarships must reapply to their delegate each year. Recipients of Guaranteed Access or Educational Assistance grants are not eligible to receive either legislative scholarship.

In response to this proliferation of programs, this report makes the following four recommendations.

Recommendation 1: Consolidate current state scholarship programs—at least as far as establishing consistent requirements, deadlines, and administration—into five categories: need-based grants; merit-based scholarships; assistance contingent on service commitments; assistance for unique populations; and legislative scholarships.

Ideally, five new programs would replicate the capacity of the existing programs to serve the various needs of Maryland college students. Such a change would minimize confusion on the part of

prospective college students and would maximize cost savings to the state realized through improved efficiency in administration.

Past studies, however, have recommended similar consolidation, but these recommendations have not been adopted. Recognizing that political barriers may impede enacting such a change, this report urges the state of Maryland to move as far as it can toward the ideal above. Very real benefits would result from even a partial consolidation. As a first step, the requirements for all programs within each of the five types of assistance should be modified as much as possible to establish uniformity within these five broad categories.

For the Educational Assistance and Professional School need-based grant programs, the high-stakes March 1 deadline should be eliminated. Rather, applicants should be clearly informed that if their FAFSA applications are received prior to March 1, they will have a greater chance of receiving aid, but late applicants should not be forced to go through a formal appeals process to receive assistance if money is available.

The current application for Guaranteed Access grants requires extremely low-income students to document their satisfactory completion of a core high school curriculum. Because high school seniors still have a semester to complete by the suggested March 1 deadline, such certification can be only provisional. A final sign-off from a student's high school is required after the student has completed the final semester. Instead of requiring applicants for Guaranteed Access grants to secure provisional documentation, the State Scholarship Administration should make provisional awards to any otherwise qualifying individual who submits a FAFSA that indicates an income below the 130 percent poverty cutoff. Any applicant who meets these criteria would be mailed information about the Guaranteed Access grant that describes the academic requirements. Students would be able to receive the additional Guaranteed Access funding if their final high school transcript satisfied distribution and academic requirements. Recommendation 9 proposes early awards of Guaranteed Access grants, as well.

Ideally, part-time aid and professional school need-based aid would be integrated into a single need-based program. Such a complete integration would also benefit from decentralizing the awarding of need-based aid to full-time students attending the approved professional schools in line with the current decentralized system in place for part-time grants. That is, the schools, not the state, would administer the funds. This issue is discussed later in Recommendation 8. Professional grants would also benefit from some flexibility around the March 1 deadline. It is recommended that all descriptions and outreach efforts for these two programs clearly articulate that they are need-based and that no service commitment is required. The need for students to contact individual institutions to receive additional information about the part-time grant program should continue to be prominent in outreach materials. The short list of approved graduate schools and areas of studies in which students can use state need-based aid should also be prominently mentioned in all outreach materials, both to encourage participation in these fields and to avoid misunderstanding with regard to eligibility. The issue of state graduate aid is further discussed in Recommendations 11 and 12.

The Distinguished Scholars program needs no substantive changes. Outreach materials should prominently note that this assistance is neither contingent on financial need nor tied to future service commitments. The uniqueness of this program needs to be spelled out to avoid confusion with the other types of aid. The additional funds available to Distinguished Scholars who wish to commit to teach in Maryland's public schools should be mentioned in outreach information, but the service commitment associated with this award needs to clearly delineated. In addition, the

Distinguished Scholar Teacher Education Program should be included—but not featured—in outreach materials for service commitment aid. (Revisions to service commitment programs are discussed in Recommendation 2.)

The Tolbert Grant, Conroy Scholarship, and Foster Care Tuition Waiver should programmatically remain as they are. Marketing efforts need to better emphasize the uniqueness of these programs and target the appropriate populations. The adequacy of Tolbert Grant funding is discussed in Recommendation 5.

Finally, Maryland is unique in the latitude it gives its state legislators to offer college financial assistance directly to their constituents. The main rationale for both the Senatorial and Delegate Scholarship Programs is that individual representatives are in the best position to deliver aid to meet the unique needs of the college students they represent. Legislators are urged to consider financial need in distributing their funds, but the determination of final eligibility is left to the discretion of individual representatives.

There are many reasons that no other state has a program like the legislative scholarships and there are many reasons for their elimination in Maryland. Individual financial aid awards should not be based on political influence or affiliation. Instead, financial aid should be based on criteria that large numbers of potential students can meet. Currently, legislative scholarships cannot be combined with state undergraduate need-based awards; this restriction confuses and irritates potential applicants. Financial aid directors themselves expressed considerable dissatisfaction with the way these grants are awarded, and as this report will discuss later, these grants constitute a considerable share of the total financial aid budget in Maryland.

The likelihood of eliminating these scholarships may be slim. Therefore, it becomes important to ensure that legislative awards meet certain criteria that will benefit students who need the financial assistance that these types of grants can provide. Each legislator should be encouraged to establish empirical goals that represent the intent of the awards and monitor the achievement of these goals. (See Recommendation 4.) Meeting needs not served by existing state programs should comprise the bulk of legislators' goals for their programs. For example, students who are pursuing academic majors not available in the state of Maryland; students with last-minute financial difficulties, such as recently divorced parents or unexpected medical or other catastrophic expenses; and children from large families might be considered potential legislative aid recipients.

Although the State Scholarship Administration oversees the Senatorial and Delegate Scholarships, some legislators have asked this body also to award the funds allocated to them. Legislators are encouraged to limit such requests to those that are easy for the State Scholarship Administration to administer (e.g., lowest Expected Family Contribution in a district not receiving a need-based award). Senators and delegates should be discouraged from imposing excessive administrative burdens on an agency whose primary mission is to deliver statewide funding.

Recommendation 2: Following on Recommendation 1, administer programs that address workforce shortage areas as a single program and review them on a biennial basis to ensure that Maryland has identified the occupations where shortfalls are anticipated.

The previous recommendation would consolidate the 15 service commitment programs into a single entity. Most of these programs involve workforce shortages that have been identified at

different points in time. Integrating the multiple workforce programs into one financial assistance program would eliminate the need to create a new program whenever a new workforce-shortage area is identified. The Maryland Higher Education Commission in consultation with the Department of Business and Economic Development; the Department of Labor, Licensing, and Regulation; and the appropriate Commission Advisory Boards should review the occupational areas that qualify for this type of assistance every two years to determine whether occupations need to be dropped and new occupations added. A single program would also help minimize differential requirements for different program areas. Participants already working toward a degree or working in fields that were approved when they began their studies should remain eligible as long as they continue in their field of study or complete the work requirements.

This integration of workforce-shortage programs would improve the ability to market and administer this type of financial assistance. Currently, deadlines for service commitment grants range from December to July. The loan assistant repayment program (LARP) for those going into government or non-profit service has a September deadline, whereas separate programs for dentists and physicians accept applications throughout the year. These differences combined with individualized program descriptions create a good deal of confusion on the part of students, parents, high school guidance counselors, and financial aid directors. Financial aid directors report that students at times incorrectly assume that the need-based Educational Assistance Grant program involves a service commitment.

Eligibility for receiving and renewing support that is based on academic performance as well as rules for completing service obligations should be standardized across programs. These programs should be marketed in a manner that makes them distinct from need- or merit-based grants. Prospective college students need to be made aware of both the general availability of this type of assistance and the specific occupations currently in short supply that are eligible for targeted assistance.

It should be noted that financial aid directors across the state reported that many students were reluctant to seek or accept these awards because of the service commitment requirement. On the one hand, many first-year college students are hesitant to commit themselves to spend up to four or five years in a profession that they may know little about and at a time when they are just beginning to discover their own strengths, weaknesses, and interests. One of the many benefits generally associated with the college experience is the opportunity to explore a number of potential future identities. On the other hand, service commitments are politically popular. They attempt to address workforce shortages by providing much needed financial assistance to individuals pursuing higher education. Service commitments, if they succeed, thus could benefit the state as well as its students.

Workforce-shortage programs have become popular in many states besides Maryland. They combine the needs of states to recruit employees into shortage occupations with the desire to help individuals pay for college. Although both goals are worthwhile, the actual effectiveness of service commitments is uncertain. A number of important questions should be considered with regard to the proliferation of these programs: How effective are service commitment programs at enticing people to enter professions they otherwise would not? Do those who receive assistance through these programs remain in these professions any longer or shorter than people who do not? This concern is particularly relevant for high-turnover professions, such as teaching or nursing. Is the strategy of assisting Maryland students through Maryland colleges more effective in reducing workforce shortages than offering to repay existing student loans of individuals working in shortage areas regardless of whether they are Maryland residents or attended college in Maryland? In terms of

providing assistance to prospective college students, what percentage of recent recipients fulfilled their service obligations? When is it reasonable or unreasonable to expect young adults to commit to up to five years of their lives before entering school? Such questions need to be continually addressed and programs modified accordingly. (See Recommendation 4.)

Maryland should also explore creative ways to find additional funding for the expansion of LARP programs to be used in conjunction with state grant models. Perhaps tax breaks could be created to encourage and reward state employers to contribute to the repayment of employees' educational loans in selected fields identified as shortage areas.

Further, recipients of service commitment awards should still be considered eligible for other state programs. All programs need to work together to maximize their collective impact and their attractiveness to individual participants.

Recommendation 3: Refrain from creating any new centrally administered state financial assistance program.

The current configuration of financial assistance programs in Maryland results from enacting new programs every time a new or newly recognized need is identified. As noted, this situation has resulted in a system that is difficult for prospective students to understand and cumbersome for the State Scholarship Administration to oversee. Creating even more programs would certainly add to these problems.

This recommendation does not mean that the opportunities available to future cohorts of Maryland college students need to be limited to what is in place today or to the result of the consolidation outlined in Recommendation 1. Changes to state financial aid programs are inevitable as long as the larger context of paying for college (e.g., federal programs, tax credits, participation in tuition pre-payment programs) constantly changes. But change should be better integrated with existing programs. The five groups of aid proposed in this report offer a great deal of flexibility for changes that may be needed in the future. Unless Maryland wants to consider establishing state loans or a state work study program, existing programs should be modified to meet new need rather than new programs added.

Recommendation 4: Establish goals for all existing Maryland programs and annually monitor the achievement of those goals.

To assist in the ongoing fine-tuning and adjustment inherent in maintaining effective state financial assistance, empirical goals should be established against which each financial aid program is measured. These goals should realistically reflect the desired outcome expected from the investment of public funds. Initial or intermittent "failure" to achieve these goals should be used to spark rethinking and revising existing programs, not eliminating them. If policymakers find that the goals identified for existing programs are inadequate to meet Maryland's needs, the scope of these programs should be expanded to fill these gaps.

This type of monitoring requires the collection, maintenance, and analysis of accurate data on applicants as well as recipients. Data should be available on the characteristics of financial aid applicants; the schools that students who are offered aid attend; the extent to which those awarded financial assistance accept the award and enroll in a Maryland college or reject the award and enroll

in an institution outside the state; and the post-college activities of aid recipients, particularly those receiving workforce shortage/loan repayment awards. Without this type of information, it is impossible to evaluate the performance of programs. Feedback from this type of information is also vital for identifying ways to improve current practices and maximize program effectiveness.

Further, the State Scholarship Administration should be funded to conduct a number of special interest evaluations of particular programs or program areas. As an example, considerable anecdotal evidence suggests that many students avoid loan repayment programs because they are unwilling at a relatively young age to commit to a major, an occupation, and post-graduation residency in a given state. In conducting the research for this report, efforts were made to identify studies examining these issues as well as the effects of these programs on actually reducing workforce shortages. Essentially, no studies were found. Maryland should not only monitor each of the program area goals and their success in meeting them but also conduct research that provides information that allows the state to step to the forefront of identifying creative new ways of assisting its residents pay for higher education.

Concern 2: Adequacy and Timing of Funding

Maryland's four-year tuition for in-state students at public institutions ranks 7th from the top among the 50 states and the District of Columbia. The state ranks 18th with regard to the amount of undergraduate state financial aid that is based on financial need. Further, state awards are often not made until after students must notify colleges of their decisions, thus limiting the impact of state financial aid on students' enrollment decisions.

Adequacy of Funding

Evaluating the adequacy of funding for Maryland student aid programs depends somewhat on whether the reviewer sees a glass that is half-empty or half-full. There is certainly cause for concern, but the fact that Maryland is doing better than many states in providing financial aid to college students should not go unrecognized.

Among the seven states with the highest in-state tuition, Maryland falls exactly in the middle in terms of the amount of need-based aid it provides to its undergraduate students. Among the six states that charge higher public four-year tuition than Maryland, three (New Jersey, Pennsylvania, and Vermont) provide at least twice as much need-based financial aid per undergraduate. New Jersey provides more than three times as much need-based funding per undergraduate. However, two other high-tuition states (Delaware and New Hampshire) provide less than one fourth of the need-based assistance that Maryland does.[27] Given the fact that a Pell Grant is an entitlement, the number of those grants awarded is a commonly used measure of the amount of financial need in a given institution or state. On this dimension, Maryland awards 47 cents of student aid for every dollar provided by federal Pell Grants, just below the national average of 51 percent.[28]

Examining the distribution of award dollars across the 24 Maryland state aid programs reveals that the need-based Educational Assistance Grants account for nearly half of all dollars awarded. (See Exhibit 3.) Observing the relatively modest amounts for several of the service commitment programs (e.g., Child Care, Occupational and Physical Therapy, and Physician Assistant/Nurse Practitioner) begs the question of why the state should continue to administer these programs separately. (See Recommendation 1.)

EXHIBIT 3: Maryland Financial Aid Appropriations: FY 2002

Scholarship Programs		FY 2002 Appropriation
Educational Excellence Awards		$39,767,360
Educational Assistance Grant	34,779,424*	
Guaranteed Access Grant	4,987,936*	
Senatorial		6,486,000
Edward T. Conroy		223,542
Delegate		2,981,179
Firefighters Tuition Reimbursement		357,912
Professional School Scholarships		202,500
Physician Assistant/Nurse Practitioner		79,500
Distinguished Scholar		4,200,000
Tolbert Memorial Grant		300,000
McAuliffe Memorial Teacher Scholarships		1,000,000
HOPE Scholarships		18,760,000
HOPE Scholarship - General	1,000,000	
HOPE Scholarship - Science and Technology	4,452,000	
HOPE Scholarship - Teacher	2,985,670	
HOPE Transfer Scholarship	322,330	
Distinguished Scholar Teacher		234,000
Loan Assistance Repayment Program		1,510,000
LARP	670,000	
LARP Primary Care Services	510,000	
LARP Dent-Care	330,000	
Nursing		980,000
Physical & Occupational Therapist		20,000
Child Care Providers		90,000
Developmental Disabilities and Mental Health		1,500,000
Part-Time Grants		2,800,000
Health Manpower Incentive Program		350,000
TOTAL		**$81,841,99:**
General Funds		$80,040,486
Special Funds		1,080,000
Federal Funds		721,507
TOTAL		**$81,841,99:**

*Estimated Awards

Source: State Scholarship Administration

Exhibit 4 collapses the award dollars for the 24 programs into the five program categories suggested in the previous section. Need-based grants account for 52 percent of all financial aid, followed by service commitments, 30 percent; legislative scholarships, 12 percent; merit-based scholarships, 5 percent; and unique populations, 1 percent.**

**Please note that many programs other than strictly need-based grants incorporate the financial need of applicants into their award decisions.

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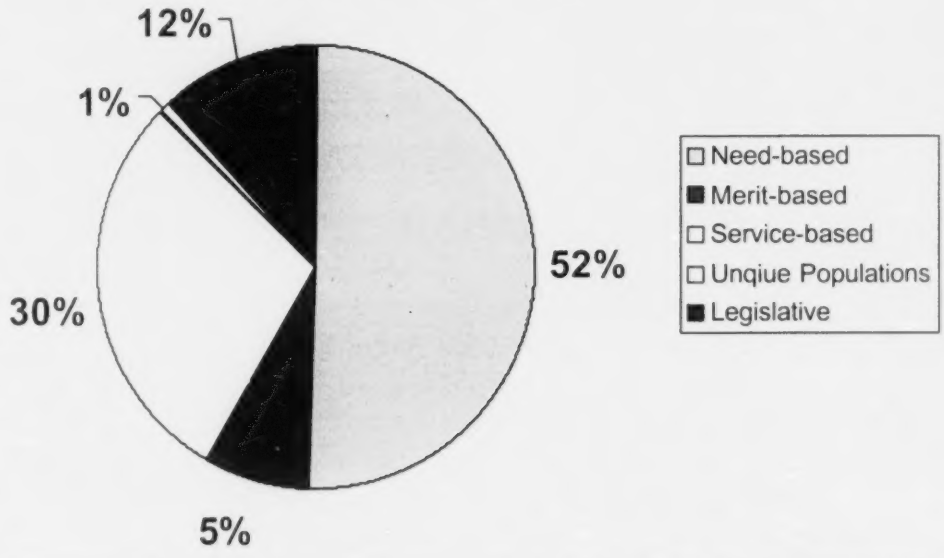
EXHIBIT 4: Percentage of 2002 Financial Aid Appropriation by Type



Source: State Scholarship Administration

Recent growth in state funding has been concentrated in service commitment programs. This growth is due primarily to the adoption of the new Hope Scholarship programs. In fiscal year 1999, service commitment programs delivered only 6 percent of Maryland's state award dollars. While the dollar amounts delivered by need-based programs increased between 1999 and 2002, need-based aid as a proportion of all state aid has been reduced from 68 to 52 percent.[29] It should be noted that financial aid received through service commitment, unique population, and legislative state programs may also be based entirely or partially on financial need; it is simply the proportion of state aid delivered by the state's strictly need-based programs that has declined recently.

Exhibit 5 presents the average percent of need and the average percent of the student's total cost of attending college that was met by state awards in each of the five suggested categories during the 2000–2001 academic year.[30] Note that state need-based aid covered approximately one-fourth of the financial need of recipients in that year.* The reader is reminded that federal aid and institutional aid are available to meet the 75 percent of need left unmet by state resources and are not included in these calculations. The higher percentage of need met by other programs reflects both the lower level of need among these recipients and the greater share of college costs met by these awards.

*Tolbert Scholarship recipients were not present in the data analyzed. The 25 percent figure for 2000–2001 was a slight increase from the average of 23 percent in 1999–2000.

EXHIBIT 5: Average Percent of Financial Need and Total College Costs Met by Five Types of State Aid Programs

	Percent of Financial Need	Percent of Total College Costs
Need-based Grants	25%	18%
Merit-based Scholarships	88%	21%
Service Commitments	162%	35%
Unique Populations	72%	36%
Legislative	73%	11%

Source: Authors' tabulations of State Scholarship Administration data

In response to concerns about the adequacy of state assistance, this report makes the following recommendation.

Recommendation 5: Increase the level of funding for state scholarship programs, focusing increases on need-based programs.

Maryland should increase even further the amount of funding for state need-based programs. In fiscal year 2001, Maryland appropriated $45.4 million to its need-based programs. The most recent report from the National Association of State Student Grant and Aid Programs (NASSGAP) indicates that between 1994–1995 and 1999–2000, the amount of money allocated to need-based aid in Maryland increased from $24.6 million to $39.6 million, or 61 percent.[31] Although this amount is higher than the national average of 32 percent and considerably higher than that of any of the six states that charge higher in-state tuition than Maryland, the need-based programs (Educational Assistance, Guaranteed Access, and Part-Time Grants) should continue to receive real increases. The 61 percent increase in need-based aid between 1994–1995 and 1999–2000 was partially offset by the 37 percent increase in state four-year tuitions during this time. Maryland's commitment to need-based aid will continue to be tested as long as tuition keeps rising every year.

The Tolbert Scholarship program provides need-based assistance to students attending approved career schools in Maryland. Such students are not eligible for many of Maryland's other programs. Tolbert Grants will provide $300 per student up to the $300,000 appropriated during the 2001–2002 academic year. However, not all students who applied, and who were eligible, received awards because of program funding limitations. State funding for this program had remained flat at approximately $200,000 annually over the past decade, although the fiscal year 2002 budget increased funding to $300,000. If the state of Maryland is serious about its commitment to provide need-based financial assistance to career school students, it should increase the funding of the Tolbert Scholarship program to more adequately meet demonstrated need.

Timing of Current Financial Aid Awards

One of the many reasons a state provides financial aid to its residents is to encourage individuals who are applying to college to attend an institution within the state. Many of the financial aid directors who responded to a survey and who attended a focus group expressed frustration with

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the current inability of most Maryland state programs to make awards early enough to influence the matriculation decisions of four-year college students.

> *The first State Award Roster (usually available to the schools in May) is received too late for our Freshman Class to make their college choice based on the amount of state aid they will receive.*

An additional consequence of the late award decisions is that institutions are unable to maximize the "last dollar" aspect of their own aid resources to meet the financial needs of first-year students and recruit them into their freshman class.

> *State awards are generally made after a four-year college has made their awards, so timing of awards hinders the integration.*

> *Although we estimate a freshman's state eligibility based on the state's formula and the state's projected EFC [expected family contribution] for the award year, a number of freshman students do not receive funding because the state runs out of money. This means that the student has deposited to a school that they can no longer afford.*

Institutions vary in the way they work around this problem. As indicated in one of the quotes above, some financial aid directors make their best guess of likely state awards in the aid packages they present to their applicants. Other institutions inflate institutional aid awards to reflect expected state assistance and then reduce institutional aid accordingly for students who in fact receive state aid. Although this second practice is an example of an institution's "guaranteeing" its estimates of state aid, students typically respond negatively to the reduction of institutional aid that often accompanies their receipt of state assistance. Further, they believe that state aid did not benefit them. Finally, other colleges simply omit potential state aid from their award packages and force applicants to decide whether they can financially manage the price of attending without state assistance. Any state assistance that is received in this final "wait and see" model may also be partially offset by reductions to other aid in the initial package.

Therefore, the ability of state aid to influence enrollment is seriously hampered because it is tentative, disguised, or simply missing from the aid package. Students and their families use the combination of federal, state, institutional, and other financial assistance in deciding whether and where they can afford to attend college. One of the primary causes for this delay is the state budget cycle, which does not generally finalize program-funding levels until April. Until the State Scholarship Administration knows how much it has to award, it cannot complete the ranking process and make final awards.

In order to improve the timing of state aid, this report makes the following recommendation.

Recommendation 6: Guarantee funding levels for all programs equal to 80 percent of the previous year's funding.

To enable the State Scholarship Administration to make awards in a timely and meaningful manner, the state of Maryland should commit to fund existing programs at a level of at least 80 percent of the previous year's appropriation. In addition, the State Scholarship Administration should be given the authority to commit the guaranteed portion of funds prior to final budget

resolution. Programs are rarely cut more than 20 percent, and the guaranteed funding floors would allow awards to be made to students early enough to influence their decisions about whether and where to attend college.

Concern 3: Administration of Financial Aid

The State Scholarship Administration oversees the delivery of 24 different state aid programs. With the exception of part-time grants and the awarding of some Legislative Scholarships, the State Scholarship Administration reviews applications and makes awards for the remaining programs. Inadequate technology and potentially inefficient processes make administering state aid in Maryland difficult.

The previous section described concerns with the timing of state financial aid decisions. This situation is made more complex by both the current information technology capacity of the State Scholarship Administration and the centralization of the awarding of aid in Maryland.

Financial aid directors voiced a number of complaints about the current system for processing the information associated with the awarding and delivery of state aid.

State electronic practices are poor and the information is not available online. We receive electronically weekly award rosters, which are difficult to use.

General improvement in the electronic capacity of SSA [State Scholarship Administration] is needed. Uploading and downloading bridges for the major FA [financial aid] software programs are needed.

Although students are required to report any changes to their initial FAFSA, several financial aid directors indicated that the state does not incorporate these changes into its database. This practice results in scholarship decisions that are made on the basis of inaccurate eligibility data.

They [State Scholarship Administration] award on the initial SAR [student aid report]. Many students change the data after the first FAFSA submission. They don't accept changes. Many times the SSA awards grants to students who would not have qualified if the data on the SAR was accurate. They need to verify more applications for aid. They're giving money to families who don't qualify for need-based funds and overlooking low-income families who do.

The state's practice of awarding students based on only one EFC transmission is unfair to those students who make corrections after March 1. In order for the student to be considered for funding, the school needs to manually send documentation to the state on the student's behalf. The burden on reporting any change is placed on the schools. ... Also we have been told that students are aware of this practice and they underestimate their income for their first transaction, and after March 1 they make corrections.

The FAFSA requests several pieces of information that are obtained from the student's and his or her parents' completed federal tax forms. Given the March 1 deadline for most Maryland scholarship programs, many applicants have not completed their tax form when they apply for aid

and therefore must estimate many of the values that determine their expected family contribution. Changes in financial information can and do affect eligibility for need-based aid.

An analysis conducted for the U.S. Department of Education's Quality Assurance Program by the American Institutes for Research sheds light on the magnitude of this problem. This analysis compared initial FAFSA information with verified data for approximately 24,000 aid applicants. This study found that 72 percent of all federal need-based aid recipients at institutions participating in the Quality Assurance Program had at least one change to FAFSA data elements that factored into the calculation of the expected family contribution. Although the impact on aid eligibility was trivial for approximately half of these changes, 34 percent of the changes resulted in corrections to the expected family contribution of at least $500, and 28 percent of the changes resulted in corrections in the actual amount of a Pell Grant. The three most problematic FAFSA data elements identified by this study were adjusted gross income, U.S. taxes paid, and reports of untaxed income. The values for all of these fields are determined by completing a federal tax form. These findings from the Quality Assurance Study support the comments received from financial aid directors in Maryland and underscore the importance of the State Scholarship Administration having easier access to the most recent information available from the federal central processor. Awards reflecting accurate applicant information will result in the accurate awarding of aid.

In order to improve the administration of state aid programs, this report makes the following two recommendations.

Recommendation 7: Modernize the information technology supporting the State Scholarship Administration.

To retrieve FAFSA information from the federal central processor for the 2002–2003 academic year awards, the State Scholarship Administration will be required to abandon its current "tape dump" methodology of importing these data into its system. The federal system will support only Web-based information transfers from institutions and states starting in January 2002. Given the fact that the State Scholarship Administration and all Maryland institutions participating in Title IV programs will be required to communicate with the federal central processor via a Web-based interface, the state of Maryland now has the opportunity to move its own administration to a Web-based platform. It is recommended that Maryland move as quickly as possible to establish a Web-based, two-way system for communicating all program information with Maryland's postsecondary institutions. Maryland should strive to transfer all communications with schools to this Web-based platform by the time it starts awarding aid for the 2003–2004 academic year, that is, January 2003. The benefits of substantial investments in information technology capacity would not be limited to a better exchange of federal information, but should extend to all billing, tracking, and reconciling functions.

It is also recommended that Maryland take steps to encourage prospective college students to complete their FAFSA application on the Web. Student FAFSAs submitted via the federal Web-based application are processed faster than paper versions. The Web application also checks applicant data for conflicting information, reducing the number of initial errors to be corrected later on.

Recommendation 8: Seriously consider decentralizing the administration of the need-based aid programs.

The delay in awarding need-based aid associated with the state budgeting process is compounded by the central administration of need-based aid. Given the inherent difficulty in obtaining accurate applicant information in time to make awards that will influence enrollment decisions, the state should seriously consider decentralizing the delivery of need-based grants (Educational Assistance and Professional School) to Maryland's higher education institutions. The distribution of available funds among campuses in such a system would follow a formula similar to the one currently used by the Part-Time Grant Program, which received nearly universal praise from financial aid directors. Given that all students who qualify receive a Guaranteed Access Grant, a voucher type of delivery mechanism is suggested to improve the administration of this program.

> *In my opinion, the most efficient MD program is the part-time program where funds are given to the college to award and administer.*

If the challenge of distributing need-based aid equitably across the campuses can be addressed, the state could reap a number of benefits. Decentralization would allow Maryland institutions to more effectively package state aid. Awards would be easier to modify to account for corrections to initial FAFSA information. The timing of aid decisions could be tied to the needs of a specific institution's student body. Just as it is crucial that aid be awarded as early as possible to four-year students, especially those considering both Maryland and non-Maryland institutions, it is also important for community colleges to reserve a proportionate level of state resources for students who typically decide to go to college later in the year.

Concern 4: Outreach to Younger and Nontraditional Students

> *Maryland recognizes the importance of reaching out to students before their senior year in high school. Numerous GEAR UP programs and other outreach activities attest to this. However, efforts in this arena can be improved.*

Numerous reports and federal and state programs attest to the fact that "financial aid is not enough." Despite increases in the availability of federal, state, and institutional aid to students attending college and despite increases in the college-going rates of individuals from all income and racial/ethnic backgrounds, gaps still exist in the college-going rates of students from different life situations. Whereas the college participation rate of dependent family members 18–24 years of age from families with incomes less than $30,000 is less than 60 percent, the rate for similar individuals from families with incomes greater than $75,000 is 88 percent.[32] Further, students with high academic achievement from higher income families are considerably more likely to attend college than similar students from lower income families.[33]

Although the median household income in Maryland is considerably higher than that of the nation as a whole, $52,436 versus $41,343,[34] and Maryland ranks high with regard to the proportion of its population holding a bachelor's degree,[35] 9 percent of all Maryland residents and a slightly higher percentage of children live below the poverty line.[36] Like individuals nationally, Maryland's students from poorer households are less likely to attend college than their peers from wealthier households. Nationally, among high school graduates in 1992, only 33 percent from families with

incomes less than $25,000 enrolled in college compared with 77 percent from families with incomes above $75,000.[37]

Currently, Maryland operates a number of outreach programs. Funded primarily through a GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) grant, the College Preparation Intervention Program (CPIP) operates in 21 middle schools in 10 counties across the state, including Baltimore City, Baltimore County, Garret County, Prince George's County, Somerset County, and several counties in Southern and Western Maryland. CPIP involves approximately 2,300 students. This program facilitates a number of activities for students as well as for teachers and parents. Students involved in the program can participate in after-school tutoring sessions, academic assistance, summer and weekend enrichment programs, and college visits. As of this year (2001), scholarships are also available to students involved in the program. In addition, some counties offer workshops and seminars for parents on financial aid and college readiness skills. Teachers can also attend professional development sessions in which they are instructed in specific content and teaching strategies that will encourage college attendance and readiness. CPIP works closely with colleges and universities in the state. Many of these institutions offer student mentoring and tutoring, as well as professor mentoring for middle school teachers. These universities also offer their facilities for various uses, including meetings and technology sessions.

Although GEAR UP is one of the better known and larger scale college outreach programs, many other smaller programs are working toward a similar goal of increasing college attendance among high-risk youth. Programs such as the Talent Development Program, Advancement Via Individual Determination (AVID), Equity 2000, and Upward Bound work in selected regions of the state to close the achievement gap and provide incentive and encouragement for students who might not otherwise choose to continue their education.

Although it is beyond the scope of this report to evaluate the outreach activities in Maryland, it is assumed that these efforts are helping some students think about and attend college who otherwise may not have done so. However, it is time for Maryland to become considerably more aggressive in reaching potential college students at younger ages.

In order to improve outreach efforts, this report makes the following two recommendations.

Recommendation 9: Modify the existing Guaranteed Access scholarship program to include an outreach effort allowing students to pre-qualify for need-based financial aid by applying in either the 9th or 10th grade. To maximize the effectiveness of this early intervention, the program should also provide committed mentors to work with students on a one-on-one basis.

This outreach scholarship program would specify income eligibility and high school curriculum requirements in line with the current Guaranteed Access Grant. That is, the income eligibility and academic requirements currently required of high school seniors would apply to students near the beginning of high school. Recipients who enroll and complete the college preparatory courses with the required grade point average would receive funding, even if their family's income rose above 130 percent of the poverty line during their senior year in high school. Participants would still be required to apply for financial aid before going to college to secure any likely federal assistance. This early commitment of college funding would help eliminate doubts about being able to pay for college from the minds of Maryland's lowest income high school students

and therefore encourage them to prepare themselves academically. The Oklahoma Higher Education Learning Access Program (OHLAP) serves as a model for this recommendation. OHLAP has increased the percentage of low-income students attending college, and the dropout rate of participants is not substantially different from that of the rest of the college population. OHLAP uses a simple $50,000 income threshold and commits to paying tuition for up to five years for participants who fulfill the program requirements. It is not suggested, however, that Maryland limit applications to 9th or 10th graders as Oklahoma has.

Mentoring is also viewed as a crucial component of this outreach scholarship program. Providing information to students and families and even making a financial aid commitment to students early on, although welcomed, can still be intimidating. It is therefore suggested that mentors be provided who commit to working with high school students for a number of years. The Maryland Higher Education Commission should consider using students on work study at Maryland colleges and universities to mentor high school students. The relative closeness in age between the mentors and the high school students, the possibility that the mentors could bring the high school students onto campus, and the commitment resulting from paying mentors could all potentially contribute to a successful mentoring relationship. Further, paying work study students would give the most disadvantaged high school students a head start in establishing personal relationships on Maryland's college campuses that will later help them make the transition to college life.

The Maryland Higher Education Commission could work in collaboration with the Maryland State Department of Education to implement and administer this program.

Maryland also needs to reach out to high school graduates and students who may benefit from taking the GED and who are not enrolled in higher education.

Students who have graduated from high school or who might take the GED and be able to enroll in a higher education program in Maryland should not be overlooked. Locating these individuals, however, is not as straightforward as finding students still enrolled in middle or high school. These nontraditional students require nontraditional outreach efforts to locate them and inform them of potential higher education options. Employers, churches, and community centers are a few possible sources through which to inform these individuals of higher education possibilities in Maryland. Recommendation 10 addresses the need to reach this population.

Recommendation 10: Expand the public education and outreach efforts of the State Scholarship Administration.

The state of Maryland is encouraged to develop more engaging materials that describe the types of financial aid available and to do so in a more timely manner. The consolidation achieved as a result of Recommendation 1 will reduce the volume of information that must be conveyed.

Special consideration should be given to identifying and attracting nontraditional students—students who may be older, who come from families who did not attend college, or who are recent immigrants. Providing such guidance is beyond the scope of this report. Given Maryland's workforce needs and the increasing diversity of its population, it will become even more important in the upcoming years to ensure that all residents become aware of higher education possibilities in the state. The state should consider hiring a marketing firm to "think outside the box" in recruiting nontraditional students.

The State Scholarship administration is also encouraged to devote more staff time to in-person briefings with financial aid directors; high school students and their families, as well as guidance counselors; and community organizations. This may mean increasing the size of the existing staff. Financial aid directors expressed appreciation for these types of meetings, but requested more of them.

Concern 5: Graduate and Professional Education

Owing in part to the lack of a federal need-based grant program and the higher federal loan limits for graduate students, students pursuing advanced degrees commonly incur substantial educational debt. The prospect of borrowing large sums of money disproportionately discourages low-income and minority individuals from pursuing graduate and professional educational opportunities.[38] *Further, students who earn professional degrees while accumulating a large debt may be reluctant to pursue a career in public service, given the pay differential between the public and private sectors.*

Post-baccalaureate students in Maryland received 7.6 percent of all state aid during 2000–2001.[39] This figure is substantially lower than the 18.5 percent of all postsecondary students in Maryland who were enrolled as graduate students during the 1999–2000 academic year.[40] At least at the most aggregate level, graduate students seem to be short-changed by state aid programs.

The $1,000 in assistance provided by Maryland's Professional School Scholarship covers less than a tenth of the average total price of $10,627 that its recipients paid to attend school in 2000–2001. The average percent of need met by Professional School Scholarships during the 2000–2001 academic year was, however, 28 percent, slightly higher than the percent of need covered in general by need-based programs (see Exhibit 5).[41] Together these findings indicate that the relatively low maximum of need-based graduate assistance available limits the percentage of graduate costs met, but the relatively high expected student contributions from graduate students offset the impact in terms of meeting need at the aggregate level. Graduate students do not, however, have the same level of access to other grant aid (Pell Grants) that undergraduates do. Therefore, graduates students with the least ability to pay are forced to assume greater levels of debt, maintain substantial employment commitments, or both, in conjunction with going to school.

Exhibit 6 indicates the number of selected types of state assistance received by students with graduate standing during the 2000–2001 academic year. Note that Legislative Scholarships and service commitment awards are the two other main programs used by graduate students.

EXHIBIT 6: Average Award and Number of Awards to Graduate Students by Selected State Programs, 2000–2001

	Average Amount	Number of Awards
Professional Grants	$1,000	464
Service Commitments	$3,920	214
Legislative Scholarships	$1,106	979

Source: Authors' tabulations of State Scholarship Administration data

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Undergraduate financial aid and graduate financial aid differ. The use of conventional formulations of "need" in the graduate context does not have the same re-distributive character that need-based aid has at the undergraduate level. Federal need formulas treat all graduate students as being financially independent of their parents. The financial need demonstrated by graduate and professional students is primarily a function of how much they, and if married, their spouses, work and are paid rather than an indication of a disadvantaged background. Hence, the ability to target funds to applicants from the most disadvantaged background would not apply in this situation unless parental information—which is not gathered from independent students on the FAFSA—was collected separately.

State financial assistance for graduate students also needs to be wary of undermining programmatic sources of graduate funding. Research has demonstrated that at the graduate level, the receipt of "outside" funding is significantly less effective in promoting degree completion than [42] The augmentation of programmatic funding with state funding would be helpful, but state dollars cannot replace the auxiliary benefits of program integration that students receive in addition to financial support through their departments.

Finally, the reason graduate students are allowed to assume such high levels of debt is that graduate training prepares individuals to fill relatively high-paying positions. Those who hold advanced degrees earn significantly more money than those who hold only a bachelor's degree. A comparison of the mean earnings in 1999 by education level reveals that people with a master's degree earned 18 percent more, those with a doctorate earned 83 percent more, and those with a professional degree earned 115 percent more than individuals with a bachelor's degree.[43]

In order to improve state efforts to assist graduate and professional students, this report makes the following recommendation.

Recommendation 11: Increase the level of funding available to graduate and professional students by expanding a number of existing programs to better serve the needs of this population.

Consistent with our initial recommendations to consolidate existing programs, establishing a new graduate scholarship program in Maryland is not recommended. However, additional funds should be added to both the Professional School Scholarship and the relevant Service Commitment Programs to allow these programs to accommodate HBCU graduates. (See Recommendation 12.)

The list of qualifying occupations for service commitment support should be reviewed to ensure the adequate inclusion of fields that require advance degrees. For advanced-degree occupations that are currently in extreme shortage, extending eligibility to LARP programs would seem to be an attractive initial strategy given the extended time some professional students need to spend in training. The extension of LARP eligibility to professions in short supply would also provide reassurance to prospective students in these fields who are concerned about going into debt. They would see the option of receiving loan repayment assistance, but would not be forced to commit to a service contract at the onset of their graduate training.

The relatively modest maximum of the Professional School Scholarship, $1,000, should be increased to $3,000, the Educational Assistance Grant maximum. Ideally, the Professional School Scholarships would be administered as part of a single, decentralized need-based program. Receipt

of the new maximum amount should be restricted to applicants with the lowest current EFC and applicants who document humble family-of-origin circumstances on an additional application.

Concern 6: Establishing a First-Professional and Graduate Scholarship Program for High-Achieving Students at HBCUs

Maryland's Report and The Partnership Agreement between the State of Maryland and the U.S. Department of Education, Office for Civil Rights recommended a number of steps to strengthen recruitment and admissions for minority students in the state. This study was asked to examine the following recommendation:

The State will explore establishing a first-professional and graduate scholarship program for high-achieving students at HBCUs to encourage them to enroll in first-professional and graduate programs at Maryland's public and independent institutions of higher education beginning with the 2002–2003 academic year and for each year thereafter.

Historically Black Colleges and Universities (HBCUs) are higher education institutions that were founded before 1964 and whose primary educational mission focuses on the education of African Americans. There are about 120 such institutions, located primarily in the Southeast. Although HBCUs enroll less than 20 percent of African American students nationally, they award about a third of all bachelor's degrees earned by African American students.[44]

Maryland has four HBCUs, all of which are public : Bowie State, Coppin State, Morgan State, and the University of Maryland Eastern Shore. In the fall of 1999, these four institutions enrolled 14,674 undergraduates, or 17 percent of all undergraduates enrolled in the state, and 612 graduate students, or 5 percent of all graduate enrollment in Maryland. Collectively, these colleges awarded 12 percent of all bachelor's degrees (2,053) and 15 percent of all master's degrees (828) in the state.[45] One of these institutions, Morgan State, ranked 12th in the United States among college and universities awarding bachelor's degrees to African American students and 9th among HBCUs.

In December 2000, Maryland entered into a partnership with the U.S. Department of Education, Office for Civil Rights (OCR) to improve opportunities for African American students in Maryland's public colleges and universities and to ensure compliance with the state's obligations under federal law. Maryland and OCR agreed to examine a number of issues regarding the status of African American students in public higher education institutions in the state, including access, enrollment, retention, and graduation.

Graduation and retention rates of African American students illustrate OCR's concerns. Four years after enrolling in Maryland public colleges and universities in 1996, 18 percent of African American students and 37 percent of white students had graduated. Examining five-year graduation rates for students who enrolled in 1995 reveals that 35 percent of African American students and 61 percent of white students had received degrees.[46]

Comparisons of the different types of degrees awarded also fuel the suggestion to examine the feasibility of setting up a graduate and first-professional scholarship program for HBCU graduates in Maryland. In 2000, Maryland public institutions awarded 3,758 bachelor's degrees to African American students but only 33 doctoral degrees and 120 professional degrees. These degrees

represented 38 percent of all bachelor's degrees, 10 percent of all doctoral degrees, and 20 percent of all professional degrees awarded by public institutions in that year.[47]

Therefore, this report makes the following recommendation.

Recommendation 12: As suggested in the partnership agreement between Maryland and the U.S. Department of Education, Office for Civil Rights, make funds available for HBCU graduates to pursue graduate and professional degrees in Maryland universities and develop an outreach effort that ensures the success of students who receive these funds. Making funds available does not mean creating a new financial aid program.

Consistent with recommendations to consolidate existing programs and to increase funding for graduate scholarships in Maryland, it is not recommended that a separate scholarship program be established for HBCU graduates but rather that a portion of existing funds for graduate financial assistance be dedicated to these students. As important as the money itself, Maryland should ensure that students take advantage of this opportunity and succeed in graduate or professional school. Although it is beyond the scope of this report to design such a program in its entirety, certain features seem particularly important.

A successful recruiting effort needs to start early in attracting HBCU undergraduates to graduate and professional programs in Maryland universities. Indeed, although the numbers of professional and doctoral degrees reported earlier are low relative to the numbers of bachelor's degrees, conversations with administrators in at least one of the Maryland HBCUs indicate that many of its undergraduates are heavily recruited by some of the best graduate programs in other states. It was also noted that graduate programs in Maryland universities are less aggressive in recruiting students from that particular college. It is thus recommended that the outreach efforts include close partnerships between selected graduate departments and undergraduate HBCU departments and summer internships for undergraduate HBCU students at graduate institutions.

The suggested partnerships should have undergraduate HBCU faculty and graduate faculty in Maryland graduate and professional school programs work together both to identify potential candidates and to ensure that HBCU faculty are aware of the requirements for entering the particular program. In addition, graduate students in these programs should mentor undergraduates who are identified early on as potential graduate or professional school candidates. Waiting until undergraduates reach their senior year is too late to begin informing them of graduate or professional school opportunities and requirements.

Summer internships for undergraduates operated by graduate and professional programs would also help ensure that potential candidates learn not only about specific fields but also about the rigors and requirements of graduate and professional education. Such internships would not necessarily have to be funded by the state; outside agencies such as the National Science Foundation and some of the disciplinary associations could be possible funding sources. Current graduate students who serve as mentors either in the summer or year-round could be funded through this type of summer program as well.

Recruiting HBCU bachelor's degree recipients to pursue graduate or professional degrees in Maryland institutions should not be viewed, in and of itself, as a sign of accomplishment. One of the most successful recruitment mechanisms, whether it be for employment or education, is word of

mouth. Therefore, the retention of those students recruited should become a central element of any graduate or professional scholarship program.

Maryland provides its own examples of success in this arena. The mathematics department at the University of Maryland, College Park recently achieved national prominence for awarding three Ph.D.s to African American women in December 2000. Although grants were noted as contributing factors, the *Chronicle of Higher Education* noted the importance of creating a supportive environment for students and making this support a high priority.[48] A recent book based on the dissertation of a University of Maryland, College Park sociology student compares students who complete doctoral programs with those who do not. One factor related to successful completion was the type of financial support received. Students with teaching and research assistantships tended to be more successful in completing their degrees than students with university fellowships or those without any financial support. As explained by the author, "Students who receive full fellowships are denied important opportunities for academic integration and professional development that students who receive RAs [research assistantships] and TAs [teaching assistantships] benefit from in the process of fulfilling their assistantship obligations."[49]

Many other features of such a program for HBCU graduates will need to be delineated to make this effort feasible. These features include the specific universities, departments, programs, graduate students, and undergraduates who will participate as well as the administrative structure that will be responsible for the day-to-day operation and success of the program. The actual funding of students in graduate or professional school is important, but this funding does not need to result in a new financial aid program. A program does need to be developed that ensures the successful recruitment of HBCU graduates to Maryland graduate and professional programs and the success of these students once recruited.

Concern 7: Outdated Image

The recommendations in this report would require the State Scholarship Administration to change how it delivers and markets financial aid. Its current name reflects an outdated image.

The State Scholarship Administration would benefit from a new public image that better reflects the complete range of programs that Maryland has available to make higher education possible for its residents. The first recommendation of this report calls for the consolidation of similar programs in part to heighten public awareness of the five different types of assistance that are available. The current use of the word *scholarship* in the name of the state agency responsible for administering all these types of aid undermines the public awareness and appreciation of the different types of financial aid available.

Although policymakers and researchers typically use the terms *grants* and *scholarships* interchangeably, the general public often associates the term *scholarship* with what this report refers to as merit scholarships, or gift assistance, that students receive because they are academically, athletically, or artistically talented. The common usage of *scholarship* includes the private assistance that community or religious organizations provide to their members. The need-based grants and service commitment programs offered by the state of Maryland are more accessible to typical Maryland students than the common connotation of *scholarship* might suggest.

In order to better reflect the complete range of programs, this report makes the following recommendation.

Recommendation 13: Change the name of the State Scholarship Administration to reflect the many ways Maryland helps its citizens pay for higher education.

A new name for the State Scholarship Administration would not only reflect a broader image that incorporates the different types of financial aid available in the state but also suggest a new way of meeting the needs of Maryland residents. If the previous recommendations in this report are adopted, the current State Scholarship Administration would benefit from a new image that goes along with the new ways of marketing, delivering, and administering financial assistance. One suggestion for a new name is the State Office of Student Financial Assistance.

CONCLUSIONS

At first glance, the recommendations in this report might appear sweeping. The suggested changes propose the following actions:

- Consolidating and simplifying the more than 20 different programs currently providing financial assistance to students
- Reviewing financial aid programs that require a service commitment in designated workforce shortage areas on a biennial basis to update the list of occupations covered
- Refraining from creating new financial aid programs
- Establishing goals for financial aid programs and monitoring the achievement of these goals
- Increasing the funding for state financial aid programs
- Guaranteeing a specified level of funding for financial aid programs
- Modernizing the information technology that supports the administration of financial aid in Maryland
- Decentralizing the administration of need-based financial aid
- Modifying the Guaranteed Access Scholarship Program to include an outreach effort allowing students to pre-qualify for aid in the 9th or 10th grade
- Hiring a marketing firm to suggest ways to reach nontraditional students
- Increasing the level of funding available to graduate and professional students
- Making funds available for HBCU graduates to pursue graduate and professional degrees in Maryland universities and developing an outreach effort that ensures the success of students who receive the funds
- Changing the name of the State Scholarship Administration

The consolidation of existing financial aid programs into fewer and more meaningful categories will allow the state to continue to serve all the different types of students it currently does and more. Serving residents well does not mean developing new programs whenever a new need is identified. Indeed, the changes proposed will eliminate the need for students and families to make their way through a maze of programs with different titles. The establishment of program goals and the ongoing monitoring of them builds in a mechanism for continuous improvement and change. Two of the recommendations recognize the need to go beyond making financial resources available and include strong mentoring components to reach students who typically may not reap the benefits of higher education in Maryland. The recommendation to allow 9th or 10th graders to apply for a

Guaranteed Access grant and the recommendation to make funds available to HBCU graduates to pursue graduate and professional work include both outreach and mentoring to ensure that the programs succeed.

These recommendations require a willingness to think differently about financial aid—its purposes and its audiences as well as its delivery. All of these suggested changes continue to recognize Maryland's desire to address workforce shortages, provide sufficient amounts of need-based aid, and reward and retain Maryland's best and brightest students.

The changes proposed, although far-reaching, are attainable. More important, they incorporate and build on Maryland's basic commitment to making higher education accessible and affordable for all its residents. The recommendations, if implemented, will help Maryland do more of what it is currently doing—and do it better.

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